National Energy Board | Office national de l'énergie

Quarterly Financial Report
For the quarter ended 30 September 2015

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

The Board's top priorities are: Take Action on Safety, Engaging with Canadians, and Leading Regulatory Excellence.

The NEB receives its funding through annual Parliamentary authorities. The majority of expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2015-16 fiscal years. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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Highlights of Fiscal Quarter and Fiscal Year to Date Results

Actual Expenditures

- Year to date personnel spending at the end of the second quarter is $2.6M less than the same period in the previous year. Most of this variance is attributable to a $4.5M severance payout that occurred in the first and second quarters of 2014-15 (resulting from the elimination of employee severance pay program for represented employees). The remaining variance is the result of a $2.0M increase in 2015-16 personnel costs related to increased funding for the Energy East and Imperial Beaufort hearings.

- The NEB office relocated in 2014-15 and affected various expenditures. Expenditures in Quarter 1 and Quarter 2 of 2014-15 were $4.2M higher than in the first two quarters of 2015-16 as a result of the move. The most notable change in the first half of 2015-16 is in Rentals which decreased by $2.4M due to the move. Acquisition of machinery and equipment also decreased by $1.1M due to the move.

- The decrease of $1.6M in other subsidies and payments is due to a one-time transition payment in Quarter 1 of 2014-15 for implementing salary payment in arrears by the Government of Canada.

- Transfer payments were $0.5M higher in Quarter 1 and Quarter 2 of 2015-16 than the same period last year.

Planned Expenditures

The variances in planned expenditures for 2015-2016 over the previous year are as follows:

- The $5.7M increase in planned spending in comparison to the 2014-15 Main Estimates is primarily due to an increase in funding for the Energy East and Imperial Beaufort hearings.

- The Operating Budget Carry Forward for $3.0M was approved in the second quarter of 2015-16. Most of the carry-forward went to Professional and special services.

Risks and Uncertainties

Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditures and resource pressures. The NEB's responsibilities are not only shaped by emerging energy trends, but also by

the proactive consideration of safety, environmental, societal and economic trends that may influence the NEB's ability to carry out its responsibilities in the Canadian public interest.

Significant Changes in Relation to Operations, Personnel and Programs

The National Energy Board received additional funding in 2015-16 for Energy East and Imperial Beaufort hearings which resulted in an increase to NEB authorities.

Approval by Senior Officials

Approved by,

C. Peter Watson, P. Eng. FCAE
Chair and CEO

Paula Futoransky
Chief Financial Officer

(Calgary, Canada)
(30 November 2015)

STATEMENT OF AUTHORITIES
(unaudited)

(in thousands of dollars)	Fiscal year 2015-2016			Fiscal year 2014-2015		
	Planned expenditures for the year ending March 31, 2016*	Expended during the quarter ended September 30, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015*	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end
Operating expenditures	71,610	16,362	32,090	67,194	18,676	40,425
Contributions to employee benefit plans	8,184	2,046	4,092	6,878	1,690	3,380
Total Budgetary authorities	**79,794**	**18,408**	**36,182**	**74,072**	**20,366**	**43,805**
Non-budgetary authorities						
Total authorities	**79,794**	**18,408**	**36,182**	**74,072**	**20,366**	**43,805**

More information is available in the attached table.

** Includes only Authorities available for use and granted by Parliament at quarter-end.*

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)	Fiscal year 2015-16			Fiscal year 2014-15		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended September 30, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended September 30, 2014	Year to date used at quarter-end
Expenditures:						
Personnel	56,901	15,394	30,596	47,852	15,257	33,230
Transportation and communications	3,617	826	1,335	4,193	633	1,106
Information	689	84	94	799	105	144
Professional and special services	12,963	1,227	2,226	13,319	227	2,550
Rentals	689	225	593	799	2,555	2,629
Repair and maintenance	689	120	509	799	181	689
Utilities, materials and supplies	344	86	171	399	103	168
Acquisition of land, buildings and works	-	0	6	-	429	429
Acquisition of machinery and equipment	1,206	44	71	2,298	816	1,249
Transfer payments	3,214	400	570	3,614	56	56
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	2	11	-	4	1,555
Total gross budgetary expenditures	**80,312**	**18,408**	**36,182**	**74,072**	**20,366**	**43,805**
Less						
Total Revenues netted against expenditures	**518**	-	-	-	-	-
Total net budgetary expenditures	**79,794**	**18,408**	**36,182**	**74,072**	**20,366**	**43,805**